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NORMALIZATION OF U.S.-VIETNAM RELATIONS

REGIONAL SECURITY POLICY PAPER

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NATIONAL SECURITY COUNCIL POLICY PAPER

SUBJECT: Normalization of U.S.-Vietnam Relations

BACKGROUND: On February 3, 1994, President Clinton lifted the 19-year-old trade embargo against Vietnam. This decision received enthusiastic support from the American business community, but was opposed by numerous interest groups involved with resolution of the Prisoner of War/Missing in Action issue. To better understand the logic behind this controversial initiative, it is essential to review the political elements involved, delineate the chronology of the embargo process, and assess the associated security interests and concerns of the U.S. and Vietnamese governments. Since it will take several weeks, if not months, to implement the President's decision, it would be prudent to identify the policy options available and provide recommendations on how to proceed down the path of Normalization.

ANALYSIS:

POLITICAL. For many years public opinion varied on how to finally resolve the Vietnam War. In the minds of many Americans it was easier to simply forget the war, but in the process the nation forgot about those who were sent to fight it. On November 13, 1982, however, the Vietnam Veterans Memorial was dedicated in Washington D.C. to honor the

58,183 soldiers, sailors, airmen and marines who perished in America's longest military conflict. Americans began to come to terms with the war and belatedly expressed appreciation for the sacrifices made by those who had fought in what became a very unpopular conflict. The process of healing and reconciliation had begun, eventually allowing the political leadership of our country to address future relations with the Socialist Republic of Vietnam (SRV).

Political support for ending the trade embargo was a critical factor in the President's decision. On January 27, 1994, by a vote of 62 to 38, the U.S. Senate approved a nonbinding resolution urging the President to lift the embargo on trade with Vietnam. Especially significant was that this resolution was co-sponsored by Senator John McCain (R-Arizona), a six year Prisoner of War in Vietnam, and Senator John Kerry (D-Mass.), a highly decorated Swift Boat Commander who later became active in the antiwar movement as national coordinator of Vietnam Veterans Against the War. This lineup of supporters provided substantial political cover for the President as he considered the recommendations of his foreign policy advisors (Lippman A20).

Motivated by increasing public and political support, the President's decision was made even easier on February 2, 1994, when the Justice Department dropped its investigation of allegations that Commerce Secretary Ron Brown had agreed to accept \$700,000 in exchange for helping to lift the U.S. trade embargo against Vietnam (Pound 21). With a "green

light" starting to shine brightly, the President acted the following day in favor of corporate America's desire to engage in new business opportunities in Vietnam.

EMBARGO. The Vietnam embargo was initially imposed on North Vietnam in 1964 under the Trading with the Enemy Act in response to attacks from the North on South Vietnam. It remained in effect even after the Paris cease-fire agreement was signed and Hanoi released the last of 591 acknowledged American POW's on April 1, 1973. On April 30, 1975, Saigon fell and the embargo was extended to all of Vietnam.

Consideration of improved relations with Vietnam was halted by the Carter administration in 1978 when Vietnam expelled hundreds of thousands of its citizens and aligned itself economically and militarily with the USSR. The political arena became even more contentious when Vietnam invaded Cambodia, deposing the pro-Chinese Khmer Rouge regime and imposing a puppet government backed by 200,000 Vietnamese troops (Sutter 2).

During the Reagan administration, the establishment of normal relations with Vietnam was contingent upon a comprehensive settlement in Cambodia and Vietnamese cooperation in obtaining the fullest possible accounting for U.S. personnel listed as prisoners of war/missing in action (POW/MIA). On April 21, 1991, the U.S. and Vietnam agreed to establish a U.S. office in Hanoi to help determine the fate of MIA's. This initiative laid out a detailed "road map" for normalization and pledged \$1 million for humanitarian aid.

The first significant easing of the trade embargo occurred in 1992 when President Bush permitted sales for humanitarian purposes and allowed U.S. companies to open offices, sign contracts and do feasibility studies in Vietnam. Noting continued cooperation on POW/MIA issues, President Clinton ended U.S. opposition to settlement of Vietnam's \$140 million arrears to the International Monetary Fund on July 2, 1993, and allowed American firms to bid on projects financed by international banks (Branigin A22). In essence, the trade embargo was subtly losing its effectiveness and those who advocated complete removal of the restrictions had justifiable reason for optimism.

VIETNAMESE INTERESTS. Vietnam today is a nation in transition. The leadership of the country, keenly aware that the Cold War is over, is aggressively attempting to maintain regional stability while promoting economic cooperation and integration. Although the country is still ruled by a Communist government, free-market reforms and foreign investment are helping to transform the economy and stabilize inflation. Last year, economic growth was 7.5 percent and is projected to be 8 percent this year. Inflation dropped to 5.2 percent from 17.5 percent in 1992, and domestic capital investment was up 45 percent to \$2.8 billion. In 1993, manufacturing rose 10 percent and construction was up 14.5 percent. Especially significant is the fact that more than 850 foreign investment projects worth nearly \$8 billion have been approved since 1988, with

Hong Kong, Taiwan, South Korea topping the list of investors (Branigin A10). With the lifting of the embargo, U.S. companies and investors will now be able to enter this new market and compete with the other nations already on scene.

A strong economy in Vietnam is essential as Hanoi addresses its immediate as well as future national security interests. Of continual concern is the love-hate relationship with China. Although relations have improved since a brief border war was fought in 1979, suspicion and distrust remain. An example is the Spratly Islands dispute, where China claims islands in the South China Sea that Hanoi considers Vietnamese territory. With rich deposits of oil at stake, and nationalist sentiments abiding, the possibility of armed conflict between Vietnam and China cannot be discounted.

An overriding concern in Vietnam today is the threat of internal instability. Government officials and citizens alike fear the general chaos, riots and demonstrations that have occurred in eastern Germany, China and Romania. Collapse of the economic reform movement, with the termination of foreign assistance and joint ventures, could destabilize the country and even lead to the repartitioning of North and South Vietnam.

U.S. INTERESTS. U.S. interests in Vietnam are varied, but primarily focused upon the economic opportunities available. In Vietnam today, American goods are popular and available thru suppliers in Hong Kong, Singapore and

Bangkok. With the lifting of the embargo, numerous American companies will now be allowed to compete in a market that was being captured by Japan and several other investing nations.

Mobil Oil, which did exploratory mapping during the war, has joined a Japanese consortium to drill off Vietnam's coast; General Electric plans to sell \$500 million in jet engines, medical equipment, power generators and locomotives in the next two or three years; and Caterpillar expects to participate in nearly \$7 billion of infrastructure projects (Cumming-Bruce 24).

Regardless of the economic opportunities that exist, Vietnam remains a backward country where investment may be difficult and unproductive. Despite market-oriented reforms and interaction with international economies, Vietnam's per capita GNP is \$230 - among the lowest in the world (Post 33). Setting up business in a Communist country, with weak commercial codes and no investment protection measures, will be difficult at best. Presently, joint ventures with the government or silent partnerships with local Vietnamese firms appear to be the only options available. Under such arrangements, however, several years may pass before any investment returns are realized.

Without exception, the most sensitive and emotional interest of the U.S. in Vietnam is resolution of the POW/MIA issue. This subject has been at the forefront of the normalization debate since the end of the war and will not

subside in frequency or volume. As of January 12, 1994, 2,238 Americans are listed as unaccounted for in Indochina from the war, 1,647 of whom are missing in Vietnam. Several Veterans organizations and the National League of Families of American Prisoners and Missing in Southeast Asia are adamant that Americans were alive at the end of the war, and are seeking the return of all prisoners, the fullest possible accounting for all missing Americans, and the repatriation of all recoverable remains. Cooperation from the Vietnamese in determining the fate of those "not accounted for" appears to be improving of late.

Admiral Charles R. Larson, Commander in Chief, U.S. Pacific Command, recently completed a 3 day visit to Vietnam and stated that ending the trade embargo would give him an "operational advantage" in searching for Americans listed as MIA in Vietnam (Branigin A27). "If we get more Americans investing, traveling and participating in Vietnam, that will give me a network of information that will obviously help me to learn about the past, the present and perhaps the future." His comments undoubtedly provided credible support to those who advocated lifting of the embargo.

Another interest of the United States in Vietnam is political reform and human rights. Unfortunately, there is less room for optimism in this regard as the Vietnamese government has clearly stated it will not accept interference in its internal affairs. A recent State Department report sharply criticized the practice of

arbitrary arrests and other human rights violations saying "authorities continue to limit severely freedom of speech, press, assembly and association, as well as workers rights and the right of citizens to change their government" (Branigin A29). One has but to consider the plight of over 60,000 Vietnamese still living in refugee camps in Hong Kong, Malaysia, Indonesia, the Philippines and Japan to realize that human rights and personal freedoms in Vietnam are not in vogue or existent.

Before a complete normalization of relations occurs, the issue of outstanding legal claims must also be resolved. According to the U.S. Treasury Department, American claims against Hanoi for property seized when South Vietnam fell in 1975 total about \$230 million. Conversely, Vietnam claims around \$290 million in assets of the former Saigon government remain frozen in the United States. With claims of such magnitude, it is inevitable that litigation will occur and that the process will be complex and protracted.

RECOMMENDATIONS:

The lifting of the trade embargo, despite objections from the POW/MIA contingent, marks the commencement of normalization with the government of Vietnam. How fast this effort proceeds depends upon the cooperation and resolve of our respective governments as they attempt to reach agreement on the issues of peace in Cambodia, future trade and investment, foreign aid, resolution of foreign claims,

and full accounting of American POW/MIA's. U.S. policy options include:

- * Open a diplomatic liaison office in Hanoi as soon as possible. Dialogue and joint search efforts must continue in order to resolve the "last known alive" discrepancy cases and the repatriation of U.S. remains.

- * Be pro-active in encouraging foreign investment and assistance to Vietnam from International Financial Institutions. Free market reforms and decentralized economic decision making is essential to the future prosperity of the nation.

- * Continue to press the human rights issue with Vietnam. The granting of most-favored-nation trade status should not occur until Vietnamese compliance is reported and verified.

- * Solicit the U.S. Foreign Claims Commission to assess the level of monetary claims existing in Vietnam, to include expropriation of private property and compensation for lost/damaged government property.

- * Establish ambassadorial level diplomatic relations with Vietnam **only** after the POW/MIA issue is resolved to the satisfaction of the American public. Lack of progress in this area is justification for immediate reinstatement of the trade embargo.

It has been said that monuments are erected so that people shall always remember, and that memorials are built so that people never forget. America will never forget the

Vietnam war and the affect it had on our country and the veterans who served in the conflict. But like it or not, the train is out of the station with the lifting of the trade embargo on February 3rd. The end of the line may be a station named Normalization - - - we should make every effort to complete the journey.

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